



Communities and Local Government Committee

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Rt Hon Sajid Javid MP
Secretary of State
Department for Communities and Local Government

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Reforming local authority needs assessment

I write enclosing the Communities and Local Government Committee's commissioned research into the local authority needs assessment formula.

Following the then Secretary of State's announcement in February 2016 that it was time to "go back to the drawing board and look at the needs and the resources available to each county" and the launch of the Fair Funding Review, the previous CLG Committee decided to contribute to the debate with independent analysis of the complex and sensitive issues involved. Following a competitive tender process, we asked public sector funding and financial management specialists, LG Futures, to carry out this work which I am now pleased to be able to share with you and your Department.

The research will also be published on our website, and we hope it will be of value to the wider sector. The Committee asked LG Futures to explore four issues:

1. A potential approach to simplifying the current needs assessment formula;
2. Options for simplifying the wider funding system;
3. The timeliness of the data sources used in the current needs assessment formula;
and
4. A comparison of potential approaches to the 'reset' – 'fixed period' or 'rolling' – of the business rates baseline.

In brief, the research identifies a method for reducing the number of indicators used in the needs assessment formula and suggests that there is scope to make the funding model more transparent by allocating funds to councils proportionate to need/resources. It also highlights the potential issues with updating some of the data used in the needs assessment formula, which are now out of date. Finally, the research models two different scenarios for how often the system could be 'reset', compares the outcomes of these for councils and weighs up the advantages and disadvantages of each.

We very much hope that this research will make a useful contribution to the Fair Funding Review and the wider work on 100 per cent retention of business rates.

Clive Betts MP
Chair, Communities and Local Government Committee